

**REPORT****on the annual accounts of the European Aviation Safety Agency for the 2003 financial year together with the Agency's replies**

(2004/C 324/02)

**CONTENTS**

	<i>Paragraph</i>	<i>Page</i>
INTRODUCTION .....	1	10
THE COURT'S OPINION .....	2-5	10
OBSERVATIONS .....	6-10	10
Tables 1-4 .....		11
<b>The Agency's replies</b> .....		15

## INTRODUCTION

1. The European Aviation Safety Agency (hereinafter called the Agency) was established by Council Regulation (EC) No 1592/2002 of 15 July 2002 <sup>(1)</sup>. The 2003 financial year was the first in which the Agency actually began to carry out its operational activities. The Agency's tasks are to maintain a high level of civil aviation safety, to ensure the proper functioning and development of civil aviation safety, to establish certification specifications and to provide certification of aeronautical products. *Table 1* summarises the powers and activities of the Agency on the basis of information supplied by it.

## THE COURT'S OPINION

2. This opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>.

3. The Court has examined the annual accounts of the Agency for the financial year ended 31 December 2003. In accordance with Article 49(1) of Council Regulation (EC) No 1592/2002 of 15 July 2002, the budget was implemented on the responsibility of the Executive Director. This responsibility includes the drawing-up and presentation of the accounts <sup>(3)</sup> in accordance with the internal financial provisions adopted on the basis of Article 52 of the same Regulation. The Court of Auditors is required under Article 248 of the Treaty establishing the European Community to examine these accounts.

4. The Court carried out its audit in accordance with its auditing policies and standards. These have been adapted from generally accepted international auditing standards to reflect the specific nature of the Community context. It examined the accounting documents and applied the audit procedures it considered necessary in this context.

5. The Court thus obtained reasonable assurance that the annual accounts for the financial year ended 31 December 2003 were reliable and that the underlying transactions, taken as a whole, were legal and regular. The content of the following observations does not call the audit opinion expressed by the Court in this report into question.

## OBSERVATIONS

6. The implementation of the appropriations for the financial year 2003 is set out in *Table 2*. The Agency's revenue and expenditure account and the balance sheet for the financial year 2003 are summarised in *Tables 3 and 4*.

7. The Executive Director, who is the authorising officer, is also empowered to sign banking instructions. This is contrary to Article 37 of the Agency's financial regulation.

8. Article 43(1)(e) of the Agency's financial regulation stipulates that the accounting officer is to validate the systems laid down by the authorising officer to supply or justify accounting information. This validation did not take place during the financial year.

9. An examination of the recruitment files revealed that they contained formal deficiencies and that some documents were missing. In view of the scale of recruitment forecast between now and 2006 (around 300 persons), steps must be taken to ensure improved compliance with the regulatory provisions.

10. An analysis of the computer system control environment showed that it requires strengthening in advance of the forecast increase in the Agency's activities.

This Report was adopted by the Court of Auditors in Luxembourg at its meeting of 29 and 30 September 2004.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

<sup>(1)</sup> OJ L 240, 7.9.2002, p. 1.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> As required by Article 83(3) of the Agency's financial regulation, the final accounts for the 2003 financial year were drawn up on 31 March 2004 and forwarded to the Court of Auditors, which received them on 20 September 2004. A summarised version of these accounts is presented in the tables annexed to this report.

Table 1  
European Aviation Safety Agency (temporary headquarters in Brussels, planned relocation to Cologne)

Areas of Community competence deriving from the Treaty	Competence of the Agency (Council Regulation (EC) No 1592/2002 of 15 July 2002)	Governance	Resources available to the Agency in 2003	Products and services supplied during the financial year 2003
<p><b>Common transport policy</b></p> <p>'The Council may, acting by a qualified majority, decide whether, to what extent and by what procedure appropriate provisions may be laid down for sea and air transport.'</p> <p>(Article 80 of the Treaty)</p>	<p><b>Objectives</b></p> <p>To maintain a high uniform level of civil aviation safety in Europe</p> <p>To ensure the proper functioning and development of civil aviation safety</p> <p>To facilitate the free movement of goods, persons and services</p> <p>To promote cost-efficiency in the regulatory and certification processes and to avoid duplication at national and European level</p>	<p><b>1. Management Board</b></p> <p><i>Composition</i></p> <p>One representative of each Member State and one representative of the Commission</p> <p><i>Duties</i></p> <ul style="list-style-type: none"> <li>— To adopt the work programme and oversee its implementation</li> <li>— To adopt guidelines for the allocation of certification tasks to Member States or qualified entities</li> <li>— To establish an <b>advisory body</b> of interested parties</li> </ul> <p><b>2. Executive Director</b></p> <p>Appointed by the Management Board at the proposal of the Commission</p> <p><b>3. Boards of Appeal</b></p> <p><b>4. External audit</b></p> <p>The European Court of Auditors</p> <p><b>5. Discharge authority</b></p> <p>Parliament, on the Council's recommendation</p>	<p><b>Final budget</b></p> <p>4,75 million euro. Community contribution: 100 %</p> <p><b>Staff numbers as at 31 December 2003:</b></p> <p>Number of posts in establishment plan: 80</p> <p>Posts occupied: 1</p> <p>Other staff: 16 (auxiliary contracts)</p> <p>Total staff: 17</p> <p>Assigned to the following duties:</p> <p>operational: 1</p> <p>administrative: 4</p> <p>mixed: 12</p>	<p><b>Number of opinions delivered:</b> 2</p> <p><b>Number of specifications and guidance documents:</b> 19</p> <p><b>Certification decisions:</b> 2 132 (1 606 relating to minor modifications)</p> <p><b>Inspections:</b> none</p> <p><b>Investigations:</b> none</p>

Source: Information provided by the Agency.

Table 2  
European Aviation Safety Agency — Implementation of the budget for the 2003 financial year

Origin of revenue	Revenue		Allocation of expenditure	Expenditure				Final budget appropriations	cancelled
	Revenue entered in the final budget for the financial year	Revenue collected		entered	committed	paid	carried over		
Community subsidies	4,7	3,7	Title I Staff	0,9	0,7	0,7	0,0	0,2	
Other subsidies	—	—	Title II Administration	0,8	0,5	0,1	0,4	0,3	
Other revenues	—	—	Title III Operating expenditure	3,0	2,7	0,2	2,5	0,3	
<b>Total</b>	<b>4,7</b>	<b>3,7</b>	<b>Total</b>	<b>4,7</b>	<b>3,9</b>	<b>1,0</b>	<b>2,9</b>	<b>0,8</b>	

Source: Data from the Agency — These tables summarise the data supplied by the Agency in its own accounts.

Table 3

## European Aviation Safety Agency — Revenue and expenditure account for the 2003 financial year

	(1 000 euro)
	2003
<b>Revenue</b>	
Commission subsidies	3 725
<b>Total revenue (a)</b>	<b>3 725</b>
<b>Expenditure</b>	
<i>Staff — Title I of the budget</i>	
Payments	680
Appropriations carried over	27
<i>Administration — Title II of the budget</i>	
Payments	153
Appropriations carried over	396
<i>Operating expenditure — Title III of the budget</i>	
Payments	197
Appropriations carried over	2 486
<b>Total expenditure (b)</b>	<b>3 939</b>
<b>Outturn for the financial year (a – b)</b>	<b>– 214</b>

Source: Data from the Agency.

Table 4

## European Aviation Safety Agency — Balance sheet as at 31 December 2003

(1 000 euro)

Assets	2003	Liabilities	2003
<b>Fixed assets</b>		<b>Fixed capital</b>	
Intangible assets	10	Own capital	16
Computer software	11	Balance for the financial year	- 214
Depreciation	- 5	<i>Subtotal</i>	- 198
<i>Subtotal</i>	16	<b>Current liabilities</b>	
<b>Current assets</b>		Commission	8
Other advances	5	Automatic carry-overs of appropriations	2 909
Sundry accounts receivable	1	Sundry accounts payable	18
<i>Subtotal</i>	6	Deductions from salaries	12
<b>Cash accounts</b>		<i>Subtotal</i>	2 947
Bank accounts and cash	2 727		
<i>Subtotal</i>	2 727		
<b>Total</b>	<b>2 749</b>	<b>Total</b>	<b>2 749</b>

Source: Data from the Agency.

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**THE AGENCY'S REPLIES**

7. Until the end of 2003, the Executive Director was the Agency's only temporary staff member. In practice, he signed banking transactions alongside the accountant. Other temporary staff have been hired during the second half of 2004, eliminating this incompatibility.

8. The financial systems were validated by the accountant at the beginning of February 2004. A computer system for managing fixed assets, to be implemented by the authorising officer, is currently being acquired and will be validated at a later stage.

9. The shortcomings identified by the Court are related to the fact that the Agency was in its start-up phase. A Human Resources department with a special recruitment unit was set up in February 2004. It has already implemented procedures and tools. The Agency is considering setting up a computerised recruitment management system as of January 2005.

10. The fact that the Agency is based on the premises of the Commission has had a major impact on its IT environment. The Agency will move to its new premises in Cologne in November 2004, which will lead to a considerable improvement in its IT environment and the implementation of a new computer architecture.

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